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SUBJECT: South China IPR: U.S. Companies Train Guangdong Customs How
to Identify Counterfeits

REFERENCE: Guangzhou 21191

(U) This document is sensitive but unclassified. Please protect
accordingly.

¶1. (U) Summary: At a recent post-organized seminar, five U.S.
companies and a music industry association trained 70 working-level
officials from Guangdong Customs on ways to distinguish genuine
products from counterfeits. The companies highlighted recent trends
in manufacturing and exporting. Guangdong Customs employs 37
percent of China's Customs officials; the province accounts for
one-third of China's exports. End summary.

Industry and Customs Attendees

¶2. (U) U.S. attendees at the June 29 product ID seminar were from
Pfizer, Eli Lilly, Microsoft, Wrigley, Coach, and the International
Federation of Phonographic Industries (IFPI - a music industry
association). Attending on the Chinese side were 70 Guangdong
Customs officers, representing all seven Customs jurisdictions in
Guangdong. Most of the officers in attendance were office
manager-rank and thus closely involved in day-to-day enforcement
activities. Also in attendance were one or two officials from the
General Administration of Customs (GAC) legal affairs department,
who had traveled from Beijing. Guangdong Customs officials account
for 37 percent of Customs officials in China, according to the
director of the training center.

¶3. (U) The seminar took place at the China Customs Education and
Training Center in Guangzhou. The training center serves all of
South China and is one of three such facilities in China, the other
two being in Shanghai and Tianjin. It provides training at all
levels of the Customs bureaucracy.

Presentations: How to Spot Fakes

¶4. (SBU) Most representatives began their presentations with
background on their companies, introducing the brands and products
they manufacture. They described the identifying characteristics of
counterfeit products, including materials, labels and packaging, and
associated documentation. They also used numerous photographs of

legitimate as well as fake products in their presentations. Some presenters identified "problem areas" in China and export destinations. They sometimes quizzed the officials on whether a product was legitimate or fake. Microsoft and IFPI discussed the manufacturing process of optical discs. Pfizer, Eli Lilly, and Wrigley emphasized the health risks associated with counterfeits in their industries.

15. (U) All of the U.S. participants left a copy of their Powerpoint presentation with the training center and distributed paper handouts with product and anti-counterfeiting information for the Customs officers to take to their district offices. They gave out their contact information (including cell phone numbers and email addresses) and encouraged the officials to contact them if they found suspicious shipments. The seminar did not include a question and answer period. Our Customs contacts nixed it as it would have required an additional, burdensome approval process.

Guangdong Customs a Willing Partner Despite WTO Case

16. (SBU) Post organized a similar product ID seminar in July 2006 with Guangdong Customs that included Nike, P&G, Disney, Mattel, Acushnet, General Motors, and MPA (reftel). Previous attempts to include a broader range of Chinese IP enforcement agencies proved unsuccessful because of the complexities of interagency coordination. Guangdong Customs has been cooperative and responsive and clearly sees the benefits of this type of training (the 2007 Guangdong IPR White Paper made specific mention of the 2006 event). The General Administration of Customs (GAC) took longer than usual to approve the request - approximately one month - likely because of the April U.S. WTO consultation request. Though it is difficult to know, the MOU signed by DHS and GAC at the May Strategic Economic Dialogue may have helped get the event approved.

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Comment: Aiming for the Source

17. (U) Guangdong province is responsible for one-third of China's overall trade and is an engine of China's manufacturing industry - and the "heart of darkness" for IPR infringement. The export of counterfeit products to global markets is a growing concern for U.S. companies and, as the recent food safety scandals have illustrated, U.S. consumers. Guangdong Customs, with its reputation for being well-trained and its significance in terms of size, will remain an important partner in post's anti-counterfeiting advocacy and training efforts.

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